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C O N F I D E N T I A L SECTION 01 OF 02 DJIBOUTI 001217

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NAIROBI FOR REDSO

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SUBJECT: PRESIDENT'S CABINET DIRECTOR ON LIVESTOCK EXPORT  
TO GULF, GEOTHERMAL ENERGY AND OTHER PROJECTS

Classified By: AMBASSADOR MARGUERITA D. RAGSDALE. REASONS 1.5 (B) AND (D).

11. (C) LIVESTOCK EXPORT PROJECT: In her meeting December 7 with Ismail Tani, Director of President Guelleh's Cabinet, Ambassador talked about the commercial possibilities inherent in the U.S.- sponsored livestock holding and Gulf export project now underway in Djibouti. She told Tani that she understood the Djiboutian government wanted to bring in a private partner to complete this project. She asked for information on the partner and the steps being planned by Djibouti to formalize its relationship with him. Tani made the following points in response:

-- The livestock export project is a top priority for President Guelleh.

-- Djibouti will miss a "fourth Hajj" opportunity to export livestock to Gulf countries because USAID's implementing partner lacked adequate funding to complete the project.

-- As far back as the year 2000, Djibouti considered cutting a deal with Sheikh al-Amoudy of Ethiopia to facilitate this project but dropped that option in favor of USAID sponsorship with AU-IBAR. AU-IBAR having failed, Djibouti decided to seek its own foreign investors with the financial capacity to complete the project.

-- A preliminary agreement with a new investor, who owns more than 50 abattoirs in Saudi Arabia, was made in October, 2005. The investor intends to invest USD 10 million and complete the project within seven months. The "partnership" with the investor would likely be in the form of a joint venture. (Comment: Tani was reticent about the investor. However, according to a November 27 presidential decree, the land on which the livestock facility sits was granted to Mohamed Kayed Mohamed Said, a businessman Post believes is of Yemeni origin with ties to both Jordan and Saudi Arabia. Post is seeking further information on the investor from Sanaa, Riyadh and Amman. End comment)

12. (C) Tani continued that the investor is "serious" and has the "financial capacity" to complete the project. The project would create a regional center supporting services for the Horn. USAID will be asked to use its remaining funds for the project on capacity building and training of staff to work in the livestock facilities. (Comment: Post is in discussion with REDSO about next steps for this project. End comment)

13. (C) GEOTHERMAL ENERGY PRODUCTION: Ambassador raised with Tani the interest of the U.S. company, Geothermal Development Associates (GDA), in geothermal energy production in Djibouti. She asked for an update on Djibouti's progress in tapping into geothermal heat as an energy source. Tani made the following points in response:

--Geothermal energy is a high priority for the Government of Djibouti, which has spent a considerable sum of money toward its eventual production. None of the experiments achieved results because funding for them was misapplied. Foreign companies contracted to look at geothermal production "cheated" the country by doing their research without the benefit of a feasibility study.

--Djibouti is aware of GDA's interest in setting up a geothermal plant but does not agree with GDA's conditions. GDA wants the government of Djibouti to fund the plant, which GDA would then build and operate, an "unacceptable" prospect. It is preferred that GDA find its own financial wherewithal to build and operate a plant, for which Djibouti Electricity Company would then become a customer. GDA is advised to contact Djibouti's ambassador in Washington for elaboration.

14. (U) DJIBOUTIAN HANDICRAFTS: Tani expressed appreciation for what he described as the Ambassador's "high visibility" in various areas of assistance to Djibouti. "Contrary to some diplomats who are shut away in their offices," Tani commented, "the U.S. Ambassador is reaching out to Djiboutians and this is very much appreciated."

15. (U) The Ambassador responded that her embassy wanted to assist as much as feasible in Djibouti's economic development. She noted that she had just inaugurated the previous day a Djiboutian handicrafts exhibition the U.S. Embassy sponsored at the People's Palace. The exhibition was designed to draw attention to Djibouti's handicrafts and to give many of the women's associations a venue in which to sell their wares. Tani said he had seen the inauguration on television and expressed his high esteem for this effort. He added that handicrafts take Djiboutians back to their roots. The Ambassador encouraged Tani to promote the international commercialization of his country's handicraft products.

16. (U) SALT PRODUCTION AT LAKE ASSAL: Tani raised the commercial possibilities of Djiboutian salt. He described it as of "good quality" and suitable for cosmetics (spa) use, for industrial salt and for de-icing. Ambassador noted that President Guelleh had discussed the possibility of using salt for cosmetic purposes during his meeting with NSC Director Courville last Spring, but that we were unaware of movement on this. Tani also was unaware but indicated that a U.S. company had expressed interest in producing Djibouti's salt for de-icing and had recently visited Djibouti. (Comment: Tani could not recall the name of the U.S. company. End comment) He said a Spanish company has also expressed interest in salt from the Assal region.

17. (U) COMMENT: Post is tracking very closely with REDSO Djiboutian government decisions related to the livestock project. These decisions could have considerable implications for U.S. development assistance here. We also continue to advocate for U.S. company GDA, although several obstacles remain in the company's efforts to win a foothold for geothermal energy development in Djibouti. Salt production has great potential, but movement is slow in a crowded world market. As for the commercial prospects for Djiboutian handicrafts, we are working through Self-Help programming to develop within artisans the skills needed to produce products for a global market. The Palestinian ambassador here wants to pair a few artisans with Palestinian weavers and embroiderers to create styles that might appeal to western customers. Post is willing to explore possibilities for such an exchange. End comment.

RAGSDALE